

NEW ISSUE: BOOK-ENTRY ONLY

Fitch: AA+
Moody's: Aa1
S&P: AA+
(see "Ratings")

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the Certificates, and subject to the conditions stated herein under "Tax Exemptions," under existing law, the interest portion of the Purchase Installments to be made by the County as Purchaser under the Conditional Purchase Agreement and to be received by the Holders of the Certificates (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest portion will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. As described herein under "Tax Exemptions," other Federal income tax consequences may arise from ownership of the Certificates. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest portion of such Purchase Installments and profit realized from the sale or exchange of the Certificates is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Certificates or the interest thereon.

\$54,660,000

**MONTGOMERY COUNTY, MARYLAND
CERTIFICATES OF PARTICIPATION**

**(Equipment Acquisition Program)
Series 2001**

**Evidencing Proportionate Interests in a
Conditional Purchase Agreement**

Dated: June 1, 2001

Due: June 1, as shown below

The Certificates are being issued to finance the acquisition of certain equipment (the "Equipment") to be used in the public safety and public transportation programs of Montgomery County, Maryland (the "County"). The Certificates represent proportionate interests in a Conditional Purchase Agreement (the "Conditional Purchase Agreement") between the County, as purchaser (the "Purchaser"), and First Union National Bank, as seller (the "Seller"), and are payable solely from and secured by (i) Purchase Installments payable by the County as Purchaser under the Purchaser Agreement and (ii) amounts realized pursuant to the exercise of certain remedies under the Conditional Purchase Agreement upon the occurrence of certain defaults by the Purchaser thereunder.

The Certificates are issued pursuant to a Certificates of Participation Trust Agreement (the "Trust Agreement") between the County and First Union National Bank, as trustee (the "Trustee"), pursuant to which the County and the Seller have agreed to assign to the Trustee for the benefit of the Certificate Holders all of the Purchaser's and Seller's rights under the Conditional Purchase Agreement, including the Purchase Installments made by the Purchaser and all amounts on deposit in certain funds and accounts established under the Trust Agreement.

Interest on the Certificates is payable on December 1, 2001 (six months), and semi-annually on each June 1 and December 1 thereafter until maturity (each an "Interest Payment Date"). The Certificates will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The principal and redemption price of the Certificates are payable at the corporate trust office of First Union National Bank (the "Paying Agent") in Richmond, Virginia. Interest is payable by check mailed to the registered owners in whose names the Certificates are registered at the close of business on the fifteenth calendar day of the month preceding each Interest Payment Date; Holders of \$100,000 or more in aggregate principal amount of Certificates may arrange for interest to be paid by wire. See "The Certificates - General Provisions" herein.

The Certificates are not subject to optional redemption prior to maturity.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

THE PRINCIPAL OR REDEMPTION PRICE OF AND THE INTEREST ON THE CERTIFICATES SHALL BE PAYABLE SOLELY FROM THE PURCHASE INSTALLMENTS AND OTHER FUNDS PLEDGED FOR THE PAYMENT THEREOF UNDER THE TRUST AGREEMENT. ALL AMOUNTS PAYABLE BY THE COUNTY, AS PURCHASER UNDER THE CONDITIONAL PURCHASE AGREEMENT, INCLUDING THE PURCHASE INSTALLMENTS, ARE SUBJECT IN EACH YEAR TO APPROPRIATION BY THE MONTGOMERY COUNTY COUNCIL. THE MONTGOMERY COUNTY COUNCIL IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATION WITH RESPECT TO THE CONDITIONAL PURCHASE AGREEMENT. THE CONDITIONAL PURCHASE AGREEMENT IS NOT A GENERAL OBLIGATION OF THE COUNTY AND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY.

The Certificates are offered when, as and if issued pursuant to the Trust Agreement and subject to the approval of legality by Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel, and to certain other conditions. It is expected that Certificates in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about June 28, 2001.

MATURITY SCHEDULE

<u>Due June 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield*</u>	<u>CUSIP</u>
2002	\$11,130,000	4.00%	2.72%	61334E AG3
2003	11,960,000	4.00	3.105	61334E AH1
2004	12,355,000	4.00	3.31	61334E AJ7
2005	9,435,000	4.25	3.50	61334E AK4
2006	9,780,000	4.50	3.65	61334E AL2

(Accrued interest from June 1, 2001, to be added)

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Certificates by a group of banks and investment banking firms at public sale on June 12, 2001. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Certificates should be obtained from the successful bidders and not from the County.

OFFICIAL STATEMENT DATED JUNE 12, 2001

\$54,660,000

**MONTGOMERY COUNTY, MARYLAND
CERTIFICATES OF PARTICIPATION**

**(Equipment Acquisition Program)
Series 2001**

**Evidencing Proportionate Interests in a
Conditional Purchase Agreement**



No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representations concerning the County or its obligations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

TABLE OF CONTENTS

Official Roster of County Officials	ii
Introduction	1
Estimated Sources and Uses of Funds	2
Security and Sources of Payment for the Certificates	2
The Equipment.....	5
The Certificates.....	5
Debt Service Requirements of the Certificates	9
The County	10
Tax Exemptions	16
Legal Matters	19
Litigation	19
Independent Public Accountants.....	19
Financial Advisor.....	19
Ratings	19
Certificate of County Officials.....	20
Continuing Disclosure Undertaking.....	20
Miscellaneous	20
Appendix A – Annual Information Statement Dated December 27, 2000.....	A-1
Appendix B – Definitions of Certain Terms and Summaries of Legal Documents	B-1
Appendix C – Proposed Form of Continuing Disclosure Agreement.....	C-1
Appendix D – Draft Approving Opinion of Bond Counsel	D-1

**MONTGOMERY COUNTY, MARYLAND
OFFICIAL ROSTER OF COUNTY OFFICIALS**

COUNTY EXECUTIVE

Douglas M. Duncan

COUNTY COUNCIL

Blair Ewing	<i>President</i>
Steven Silverman	<i>Vice President</i>
Phil Andrews	
Derick P. Berlage	
Nancy Dacek	
Howard Denis	
Isiah Leggett	
Marilyn J. Praisner	
Michael L. Subin	

The terms of the Executive and all County Council members expire in December 2002.

APPOINTED OFFICIALS

Bruce Romer	<i>Chief Administrative Officer</i>
Timothy L. Firestine	<i>Director, Department of Finance</i>
Robert K. Kendal	<i>Director, Office of Management and Budget</i>
Charles W. Thompson, Jr.	<i>County Attorney</i>
Mary A. Edgar	<i>Clerk of the County Council</i>

BOND COUNSEL

Venable, Baetjer and Howard, LLP
Baltimore, Maryland

FINANCIAL ADVISOR

Davenport & Company LLC
Towson, Maryland

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG, LLP
Washington, D.C.

DEBT MANAGEMENT AND DISCLOSURE

Department of Finance
101 Monroe Street
Rockville, MD 20850
240/777-8860
240/777-8857 (Fax)
www.mcmbonds.emontgomery.org

\$54,660,000

**MONTGOMERY COUNTY, MARYLAND.
CERTIFICATES OF PARTICIPATION**

**(Equipment Acquisition Program),
Series 2001**

**Evidencing Proportionate Interests
in a Conditional Purchase Agreement
Between the Seller and**

MONTGOMERY COUNTY, MARYLAND

INTRODUCTION

The purpose of this Official Statement, which includes the attached Appendices, is to provide certain information concerning the sale and delivery of the Montgomery County, Maryland Certificates of Participation (Equipment Acquisition Program), Series 2001 (the “Certificates”) in the aggregate principal amount of \$54,660,000.

The Certificates represent proportionate interests in a Conditional Purchase Agreement (the “Conditional Purchase Agreement”) entered into by and between Montgomery County, Maryland (the “County”), as purchaser (the “Purchaser”), and First Union National Bank, as trustee under the Trust Agreement (defined herein), as seller (the “Seller”) for the acquisition of certain equipment (the “Equipment”) to be used in the public safety and public transportation programs of the County. The Conditional Purchase Agreement requires the County, as Purchaser, to make periodic purchase installments (the “Purchase Installments”) in amounts sufficient to pay the scheduled debt service on the Certificates until the Purchaser shall pay the entire price necessary to acquire the Equipment (the “Purchase Price”), which Purchase Price shall be equal to the amount necessary to pay the principal of and interest on all outstanding Certificates. The ability of the County, as Purchaser, to pay the Purchase Installments due under the Conditional Purchase Agreement depends upon the appropriation each year by the Montgomery County Council of sufficient funds for such purpose.

The County will grant the Seller a first-priority security interest in and to the Equipment. Upon the expiration of the term of the Conditional Purchase Agreement, all interest to the Equipment will be transferred to the County.

The Certificates will be issued pursuant to a Certificate of Participation Trust Agreement dated as of June 1, 2001 (the “Trust Agreement”), between the County and First Union National Bank, as trustee (the “Trustee”). The County and the Seller have assigned to the Trustee, for the benefit of the Holders of the Certificates, all of their respective rights under the Conditional

Purchase Agreement, including the Seller's right to receive the Purchase Installments and the Seller's right to enforce payment of the Purchase Installments when due.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Certificates and available investment earnings are expected to be applied as follows:

Source of Funds:		
Principal Amount of Certificates	\$54,660,000	
Investment Earnings	<u>430,486</u>	(1)
Total sources of funds	<u>\$55,090,486</u>	
Uses of Funds:		
Acquisition of the Equipment	\$55,037,400	
Administrative, legal, financing and miscellaneous expenses	<u>53,086</u>	
Total uses of funds	<u>\$55,090,486</u>	

(1) Investment earnings are estimated to be 3.52% on the Equipment Fund.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

General

The Certificates are payable as to principal, redemption price and interest solely from Purchase Installments to be paid by the County, as Purchaser pursuant to the Conditional Purchase Agreement, moneys attributable to the sale, leasing or other disposition of the Equipment by the Trustee upon the occurrence of certain defaults by the Purchaser under the Conditional Purchase Agreement and amounts from time to time on deposit in certain funds and accounts established by the Trust Agreement. Pursuant to the Trust Agreement, the County and the Seller have assigned to the Trustee all of their respective rights under the Conditional Purchase Agreement, and all amounts on deposit from time to time in such funds and accounts for the benefit of the Holders of the Certificates. See Appendix B - "Summary of Certain Provisions of the Trust Agreement" herein.

ALL AMOUNTS PAYABLE BY THE COUNTY, AS PURCHASER UNDER THE CONDITIONAL PURCHASE AGREEMENT, INCLUDING THE PURCHASE INSTALLMENTS, ARE SUBJECT IN EACH YEAR TO APPROPRIATION BY THE MONTGOMERY COUNTY COUNCIL. IT IS THE INTENTION OF THE COUNTY THAT THE AMOUNTS PAYABLE UNDER THE CONDITIONAL PURCHASE AGREEMENT, INCLUDING THE PURCHASE INSTALLMENTS, WILL BE MADE FROM THE COUNTY'S GENERAL FUND.

THE MONTGOMERY COUNTY COUNCIL IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATION WITH RESPECT TO THE CONDITIONAL PURCHASE AGREEMENT. THE CONDITIONAL PURCHASE AGREEMENT IS NOT A GENERAL

OBLIGATION OF THE COUNTY AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY.

THE CONDITIONAL PURCHASE AGREEMENT MAY BE TERMINATED UPON THE OCCURRENCE OF NONAPPROPRIATION OR AN EVENT OF DEFAULT. IN SUCH EVENT, ALL PAYMENT OBLIGATIONS UNDER THE CONDITIONAL PURCHASE AGREEMENT WILL TERMINATE, AND THE CERTIFICATES AND THE INTEREST THEREON WILL BE PAYABLE ONLY FROM MONEYS, IF ANY, HELD BY THE TRUSTEE UNDER THE TRUST AGREEMENT AND ANY MONEYS MADE AVAILABLE FROM THE SALE OR LEASE OR OTHER DISPOSITION OF THE EQUIPMENT. THERE IS NO ASSURANCE THAT SUCH MONEYS WILL BE SUFFICIENT FOR THE PAYMENT OF THE CERTIFICATES OR THE INTEREST THEREON UPON THE OCCURRENCE OF NONAPPROPRIATION OR AN EVENT OF DEFAULT UNDER THE CONDITIONAL PURCHASE AGREEMENT.

Conditional Purchase Agreement

The County, as Purchaser, and the Trustee, as Seller, have entered into the Conditional Purchase Agreement with respect to the Equipment for a term which begins as of June 1, 2001, and ends on June 1, 2006, unless terminated earlier in accordance with the Conditional Purchase Agreement. The Purchase Installments due under the Conditional Purchase Agreement are sufficient to pay the scheduled debt service on the Certificates and the fees and expenses of the Trustee. The Purchaser is also obligated under the Conditional Purchase Agreement to pay all expenses associated with the installation, operation and maintenance of the Equipment, including repairs, insurance and taxes, if any. The Purchase Installments are payable semi-annually on May 15 and November 15 of each year so long as any of the Certificates are outstanding and will be paid directly to the Trustee.

The ability of the County to pay the Purchase Installments is subject to the annual appropriation of sufficient funds for such purpose by the Montgomery County Council. See the information under the heading "Annual Budgets" in the County's Annual Information Statement dated December 27, 2000, incorporated herein by reference as Appendix A and published under separate cover. The County may terminate the Conditional Purchase Agreement at the end of the last fiscal year or earlier date for which an appropriation is available if sufficient funds are not appropriated for any fiscal year. The County Executive of the County has covenanted in the Conditional Purchase Agreement, to the extent permitted by law and subject to applicable public policy, to use best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County to be submitted to the Montgomery County Council and a request for adequate funds to meet its obligations under the Conditional Purchase Agreement in full in its next fiscal year budget. The County has also covenanted to apply funds that are appropriated for the Equipment to the payment of its obligations under the Conditional Purchase Agreement.

The County has agreed, to the extent permitted by law and subject to applicable public policy, not to terminate the Conditional Purchase Agreement in any fiscal year for which sufficient funds are appropriated for the payment of Purchase Installments due in that fiscal year for the acquisition, retention and/or operation of any portion of the Equipment. See Appendix B - "Summary of Certain Provisions of the Conditional Purchase Agreement."

If the County fails to pay Purchase Installments, the Trustee has the right to seek certain remedies under the Conditional Purchase Agreement, including the termination of the Conditional Purchase Agreement, the termination of the title and interests of the Purchaser in the Equipment and the sale or lease of the Equipment. It may not be possible to sell or lease the Equipment for an amount that, together with other amounts available for such purpose under the Trust Agreement, will be sufficient to pay the aggregate principal amount of the Certificates plus accrued interest thereon.

The County is required under the Conditional Purchase Agreement to insure the Equipment against damage and destruction. The County intends to provide the insurance required under the Conditional Purchase Agreement through self-insurance. Net insurance proceeds, as well as condemnation awards, must be applied to the repair or replacement of the Equipment or to the redemption of all or a portion of the Certificates. See "The Certificates - Redemption Provisions-Mandatory Extraordinary Redemption" and Appendix B - "Summary of Certain Provisions of the Conditional Purchase Agreement" herein.

Security Interest

The payment of Purchase Installments by the County is secured by a first-priority security interest in and to the Equipment, for the benefit of the Holders of Certificates. At the end of the term of the Conditional Purchase Agreement all interest in and to the Equipment will be transferred to the County. If (i) the County fails to pay any Purchase Installment when due, (ii) the County fails to appropriate moneys required to make the timely payment of the Purchase Installments, or (iii) certain events of default under the Trust Agreement or the Conditional Purchase Agreement occur, the Seller may, among other things, repossess and sell, lease, sublease or otherwise dispose of the Equipment. The revenues and proceeds from the disposition of the Equipment after repossession shall be applied to the cost of the repossession and the payment of the amounts due on the Certificates. The County is not liable for the payment of any deficiency if the amount realized upon repossession and disposition is less than the amount due on the Certificates. See Appendix B-"Summary of Certain Provisions of the Conditional Purchase Agreement" herein.

Insurance Coverage

The County has covenanted under the Conditional Purchase Agreement to maintain property insurance coverage for the Equipment during the term of the Conditional Purchase Agreement. The County intends to provide such insurance through its self-insurance program. See the information under the heading "Risk Management" in the County's Annual Information Statement dated December 27, 2000, incorporated herein by reference as Appendix A and published under separate cover.

THE EQUIPMENT

Description

The Equipment consists of the acquisition of (i) radio and mobile data equipment for use in the County's public safety programs, and (ii) buses for use in the County's public transportation program. The Equipment includes the following items:

Public Safety Radio System:

- Radio Equipment: 2,000+ mobile and portable radios
- Dispatch Equipment: dispatcher furniture
- Console Equipment: dispatch consoles, electronics and logging recorder

Public Safety Mobile Data System:

- Radio infrastructure hardware
- Mobile computing hardware and TRW support hardware
- Mobile computing infrastructure hardware

Ride-On Bus Service:

- 71 Eldorado Aeroflite Buses
- 12 Supreme Startrans Buses

The aggregate purchase price of the Equipment is \$55,037,400, which will be paid to the vendors of the Equipment from the proceeds of the Certificates to acquire the Equipment. The County will acquire additional equipment for use in connection with the Public Safety Radio System and the Public Safety Mobile Data System. Such additional equipment will have an aggregate purchase price of \$83,434,000, which the County will pay with current revenues and the proceeds of general obligation bonds.

The County will pay all costs of installing, operating and maintaining the Equipment from its general revenues.

THE CERTIFICATES

General Provisions

The Certificates will be dated June 1, 2001, and will be issued in serial form in the principal amounts, maturing (subject to the redemption provisions set forth below) and bearing interest as set forth on the inside front cover hereof.

The Certificates will be executed and delivered in full registered form, without coupons, in denominations of \$5,000 each or any integral multiple thereof. Interest will be payable on the

Certificates on each June 1 and December 1 (each, an “Interest Payment Date”), beginning December 1, 2001. Interest paid on December 1, 2001 will accrue from June 1, 2001 (six months). The principal or redemption price of the Certificates is payable at the principal corporate trust office of the Trustee in Richmond, Virginia. Interest will be payable by check mailed by the Trustee to the registered Holders of Certificates as their names and addresses appear in the registration books maintained by the Trustee as of (i) the fifteenth calendar day of the month next preceding each Interest Payment Date or (ii) in the case of the payment of any defaulted interest, the tenth (10th) day before such payment. At the request of a Holder of Certificates in the aggregate principal amount of at least \$100,000, such payments may be made by wire transfer in accordance with written instructions filed by such Holder with the Trustee. Interest on the Certificates shall be calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

Book-Entry Only System

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by the Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Certificates, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodian relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2001A Certificates at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, physical certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered.

NEITHER THE COUNTY, NOR THE TRUSTEE, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE CERTIFICATES; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF CERTIFICATES.

Redemption Provisions

Mandatory Extraordinary Redemption

The Certificates are subject to mandatory redemption in whole at any time or in part on any Interest Payment Date at par plus accrued interest (i) if the Equipment is damaged, destroyed or condemned, from insurance or condemnation proceeds not required to repair, rebuild, restore or modify the Equipment after such damage, destruction or condemnation or (ii) if the Equipment is damaged, destroyed or condemned, and the insurance or condemnation proceeds are insufficient to repair, rebuild or modify the Equipment and the Purchaser elects not to use its own funds for such purpose, from insurance and condemnation proceeds and amounts then payable by Purchaser as prepayment of the entire Purchase Price.

Selection of Certificates to be Redeemed

If fewer than all of the Certificates are called for redemption, the Trustee shall redeem the Certificates in the order of maturity directed by the County and by lot in such manner as the Trustee shall determine within any maturity; provided, however, that the portion of any Certificate to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof and, in selecting Certificates for redemption, the Trustee shall treat each Certificate as representing that number of Certificates that is obtained by dividing the principal amount of such Certificate by \$5,000.

Notice of Redemption

The Trustee will mail notice of redemption, by first class mail, not less than 30 days and not more than 60 days before the date of redemption to the registered Holders of the Certificates of the maturity or maturities to be redeemed at their addresses shown on the registration books maintained by the Trustee. Notice having been given and sufficient moneys having been delivered to the Trustee, interest will cease to accrue on the Certificates to be redeemed on and after the redemption date. Any notice of redemption may indicate that such redemption is conditioned upon the deposit of sufficient moneys to effect such redemption on the redemption date. The failure by the Trustee to mail a notice of redemption, or any defect with respect to any particular Certificate shall not affect the validity of the Proceedings for the redemption of the Certificates.

Additional Certificates

The Purchase Price may, with the consent of the County, including additional approving action by the Montgomery County Council, if necessary, be increased if additional funds are necessary to complete the acquisition of the Equipment. Upon such an increase, the Trustee will issue a like principal amount of additional parity certificates of participation (the “Additional Certificates”). See Appendix B – “Summary of Certain Provisions of the Trust Agreement - Additional Certificates” herein.

DEBT SERVICE REQUIREMENTS OF THE CERTIFICATES

The following table sets forth for each fiscal year of the County (ending on June 30 in each calendar year) the amount required for the payment of principal due on the Certificates on June 1 and for the payment of interest on such Certificates on June 1 and December 1 and the total debt service requirements of the Certificates.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total Debt Service Requirement</u>
2002	\$11,130,000	\$2,258,888	(1)	\$13,388,888
2003	11,960,000	1,813,688		13,773,688
2004	12,355,000	1,335,288		13,690,288
2005	9,435,000	841,088		10,276,088
2006	9,780,000	440,100		10,220,100

(1) Includes accrued interest from June 1, 2001.

THE COUNTY

General

Montgomery County, Maryland is a body politic and corporate and a political subdivision of the State of Maryland. For more information respecting the County, see the County's Annual Information Statement dated December 27, 2000, incorporated herein by reference as Appendix A and published under separate cover.

Selected Debt and Financial Schedules

Tables 1 through 7 presented on the following pages have been updated to provide current information on Montgomery County's financial position. For more information on the County, and a complete overview of the County's debt, please see the County's Annual Information Statement dated December 27, 2000, incorporated herein by reference as Appendix A and published under separate cover.

[table appears on next page]

Table 1
Statement of Direct and Overlapping Debt
Projected to June 30, 2001

Direct Debt:		
General Obligation Bonds Outstanding	\$1,178,708,054	
Short-Term BANs/Commercial Paper Outstanding	125,000,000	
Long-Term Notes Payable	1,624,178	
Revenue Bonds Outstanding	<u>65,505,000</u>	
Total Direct Debt		\$1,370,837,232
Overlapping Debt (as of June 30, 2000):		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,064,577,882	
Housing Opportunities Commission	681,976,871	
Montgomery County Revenue Authority	43,717,175	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	47,784,828	
Kingsview Village Center Development District	2,410,000	
Towns, Cities and Villages within Montgomery County	<u>33,270,484</u>	
Total Overlapping Debt		<u>1,873,737,240</u>
Total Direct and Overlapping Debt		3,244,574,472
Less Self-Supporting Debt:		
County Government Revenue Bonds	65,505,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County (as of June 30, 2000)	1,064,577,882	
Housing Opportunities Commission (as of June 30, 2000)	681,976,871	
Montgomery County Revenue Authority (as of June 30, 2000)	43,717,175	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County (as of June 30, 2000)	<u>15,404,828</u>	
Total Self-Supporting Debt		<u>(1,871,181,756)</u>
Net Direct and Overlapping Debt		<u>\$1,373,392,716</u>
Ratio of Debt to FY01 Assessed Valuation of:		\$32,553,856,811
Direct Debt		4.21%
Net Direct Debt *		4.01%
Direct and Overlapping Debt		9.97%
Net Direct and Overlapping Debt		4.22%
Ratio of Debt to FY01 Market Valuation of:		\$78,786,706,000
Direct Debt		1.74%
Net Direct Debt *		1.66%
Direct and Overlapping Debt		4.12%
Net Direct and Overlapping Debt		1.74%

* Net Direct Debt of \$1,305,332,232 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

Table 2
Statement of Legal Debt Margin
Projected to June 30, 2001

FY01 Assessed Valuation	\$32,553,856,811
Debt Limit (% of Assessed Valuation)	<u>15%</u>
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	4,883,078,522
Less Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds Outstanding	\$1,178,708,054
Short-Term BANs/Commercial Paper	125,000,000
Long Term Notes Payable	<u>1,624,178</u>
Net Direct Debt	<u>1,305,332,232</u>
Legal Debt Margin	<u>\$3,577,746,290</u>
Net Direct Debt as a Percentage of Assessed Valuation	<u>4.01%</u>

Table 3
General Obligation Debt of the County
Projected to June 30, 2001

<u>Issue</u>	<u>Dated Date</u>	<u>Original Issue Size</u>	<u>Original Interest Rates</u>	<u>True Interest Cost (TIC)</u>	<u>Maturity</u>	<u>Principal Outstanding June 30, 2001</u>
GO Bonds	11/01/71	\$ 30,000,000	0.10%-6.50%	4.3163%	1972-01	\$ 590,000
GO Bonds	05/01/83	50,000,000	7.00%-9.00%	7.8999%	1984-03	5,000,000
GO Bonds	06/01/84	55,000,000	9.00%-9.75%	9.3989%	1985-04	8,250,000
GO Bonds	05/01/85	65,000,000	7.60%-8.60%	8.2205%	1986-05	13,000,000
GO Bonds	04/01/86	50,000,000	5.80%-6.30%	6.0956%	1987-06	12,500,000
GO Bonds	04/01/91	60,000,000	6.30%-6.75%	6.5230%	1992-11	6,000,000
GO Bonds	10/01/91	70,000,000	5.75%-6.12%	5.9747%	1992-11	10,500,000
GO Refunding Bonds	07/01/92	273,038,054	2.75%-5.80%	5.7431%	1993-10	205,823,054
GO Bonds	10/01/92	115,000,000	5.00%-5.75%	5.4740%	1993-06	34,500,000
GO Refunding Bonds	08/15/93	60,005,000	2.50%-5.00%	4.9908%	1994-11	56,785,000
GO Bonds	10/01/93	100,000,000	4.40%-4.90%	4.6899%	1994-13	65,000,000
GO Bonds	10/01/94	100,000,000	5.20%-6.125%	5.7958%	1995-08	40,000,000
GO Bonds	03/15/96	120,000,000	5.10%-5.50%	5.2946%	1997-16	90,000,000
GO Bonds	04/15/97	115,000,000	5.00%-5.375%	5.3226%	1998-17	92,000,000
GO Refunding Bonds	01/01/98	69,510,000	3.90%-5.25%	4.6400%	2003-15	69,510,000
GO Bonds	04/01/98	115,000,000	4.875%	4.7607%	1999-18	97,750,000
GO Bonds	04/01/99	120,000,000	4.00%-5.00%	4.4764%	2000-19	108,000,000
GO Bonds	01/01/00	130,000,000	5.00%-6.00%	5.4853%	2001-20	123,500,000
GO Bonds	02/01/01	140,000,000	4.00%-5.00%	4.5447%	2002-21	<u>140,000,000</u>
Total						<u>\$1,178,708,054</u>

Table 4
General Obligation Bonds Authorized – Unissued
Projected to June 30, 2001

<u>Purpose</u>	<u>Chapter</u>	<u>Act</u>	<u>Amount</u>	<u>Amount Unissued</u>
General County, Parks, and Consolidated Fire Tax District	19	1998	\$ 113,400,000	\$ 73,890,000
	18	1999	33,500,000	33,500,000
	22	2000	<u>78,300,000</u>	<u>78,300,000</u>
			<u>225,200,000</u>	<u>185,690,000</u>
Road & Storm Drainage and Urban Renewal	19	1998	77,000,000	39,010,000
	18	1999	30,000,000	30,000,000
	22	2000	<u>77,600,000</u>	<u>77,600,000</u>
			<u>184,600,000</u>	<u>146,610,000</u>
Public Schools and Community College	18	1999	57,800,000	3,113,000
	22	2000	<u>82,900,000</u>	<u>82,900,000</u>
			<u>140,700,000</u>	<u>86,013,000</u>
Mass Transit	19	1998	500,000	105,000
	18	1999	400,000	400,000
	22	2000	<u>1,400,000</u>	<u>1,400,000</u>
			<u>2,300,000</u>	<u>1,905,000</u>
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	<u>855,000</u>	<u>855,000</u>
			<u>5,630,000</u>	<u>5,570,000</u>
Parking Districts: Silver Spring				
	9	1983	2,945,000	2,045,000
	6	1984	<u>1,220,000</u>	<u>1,220,000</u>
			<u>4,165,000</u>	<u>3,265,000</u>
Bethesda				
	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	<u>1,050,000</u>	<u>1,050,000</u>
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>13,315,000</u>	<u>8,130,000</u>
Total General Obligation Bonds			<u>\$571,745,000</u>	<u>\$433,918,000</u>

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1994, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

Table 5
Bond Anticipation Notes Outstanding
Projected to June 30, 2001

<u>Issue</u>	Balance <u>July 1, 2000</u>	BANs Retired With G.O. Bond <u>Proceeds</u>	<u>BANs Issued</u>	Balance <u>June 30, 2001</u>
BAN Series 1995-F	\$ 32,000,000	\$ 32,000,000	\$ --	\$ --
BAN Series 1995-G	38,000,000	38,000,000	--	--
BAN Series 1995-H	90,000,000	70,000,000	--	20,000,000
BAN Series 1995-I	<u>--</u>	<u>--</u>	<u>105,000,000</u>	<u>105,000,000</u>
Total	<u>\$160,000,000</u>	<u>\$140,000,000</u>	<u>\$105,000,000</u>	<u>\$125,000,000</u>

(The remainder of this page has been left blank intentionally.)

Table 6
Montgomery County, Maryland
Schedule Of General Fund Revenues, Expenditures, & Transfers In (Out)
(Budgetary, Non-GAAP Basis)

	Fiscal Year Actual			Fiscal Year	Actual July 1, 2000
	1998	1999	2000	Budget 2001 ⁽²⁾	to March 31, 2001 (Unaudited)
Revenues:					
Taxes:					
Property, including interest & penalty	\$ 607,196,112	\$ 593,103,639	\$ 610,403,414	\$ 606,104,570	\$ 587,294,843
Transfer tax and recordation tax	82,969,763	93,009,575	99,771,486	90,840,000	71,121,203
County income tax	602,825,620	689,203,638	761,148,755	769,250,000	568,970,211
Other taxes	<u>42,751,420</u>	<u>45,183,618</u>	<u>43,312,655</u>	<u>44,020,000</u>	<u>25,151,990</u>
Total Taxes	1,335,742,915	1,420,500,470	1,514,636,310	1,510,214,570	1,252,538,247
Licenses and permits	4,284,392	4,338,599	4,508,738	4,403,060	1,993,223
Intergovernmental revenue	87,994,220	93,255,279	98,051,154	103,874,800	76,975,706
Charges for services	8,319,726	7,337,927	7,904,754	8,374,750	6,106,014
Fines and forfeitures	3,042,264	3,188,275	4,550,638	4,855,860	4,459,326
Investment income	15,735,564	18,155,871	21,831,424	22,010,000	14,379,858
Miscellaneous	<u>7,071,441</u>	<u>8,061,519</u>	<u>8,300,775</u>	<u>9,195,480</u>	<u>4,414,348</u>
Total Revenues	<u>1,462,190,522</u>	<u>1,554,837,940</u>	<u>1,659,783,793</u>	<u>1,662,928,520</u>	<u>1,360,866,722</u>
Expenditures (including encumbrances):					
General County:					
General government	130,541,248	139,868,204	152,711,792	157,075,175	121,830,892
Public safety	145,807,258	149,815,388	163,575,547	171,759,024	130,414,430
Transportation and public works	29,303,085	36,671,572	35,155,518	34,983,034	25,658,967
Health and human services	106,850,279	115,372,553	130,598,688	151,101,355	116,096,078
Culture and recreation	27,699,078	34,407,208	37,032,110	39,056,958	31,219,562
Housing and community development	2,484,460	2,883,758	4,104,510	4,332,539	3,424,277
Environment	<u>2,365,887</u>	<u>3,197,837</u>	<u>3,549,047</u>	<u>4,742,442</u>	<u>2,966,003</u>
Total Expenditures	<u>445,051,295</u>	<u>482,216,520</u>	<u>526,727,212</u>	<u>563,050,527</u>	<u>431,610,209</u>
Operating Transfers In (Out):					
Operating Transfers In:					
Special Revenue Funds	9,139,096	9,091,019	10,117,342	10,283,760	7,712,820
Enterprise Funds	16,864,000	17,042,960	17,248,580	20,224,600	15,168,450
Trust Funds	--	--	--	--	--
Internal Service Funds	--	--	--	--	--
Component Units	<u>100,295</u>	<u>110,000</u>	<u>192,696</u>	<u>--</u>	<u>644,650</u>
Total Operating Transfers In	<u>26,103,391</u>	<u>26,243,979</u>	<u>27,558,618</u>	<u>30,508,360</u>	<u>23,525,920</u>
Operating Transfers Out:					
Special Revenue Funds	(25,908,256)	(11,590,135)	(15,719,842)	(13,464,065)	(10,826,955)
Debt Service Fund	(127,342,718)	(136,484,729)	(134,767,348)	(149,659,980)	(92,706,514)
Capital Projects Fund	(14,501,913)	(14,189,353)	(38,907,827)	(109,087,956)	(37,740,285)
Enterprise Funds	(4,736,579)	(3,903,074)	(5,988,835)	(4,125,564)	(2,861,706)
Internal Service Funds	(1,031,750)	(1,410,500)	(615,290)	(1,577,700)	--
Component Units	<u>(833,422,826)</u>	<u>(883,972,417)</u>	<u>(950,305,484)</u>	<u>(1,075,063,198)</u>	<u>(815,411,918)</u>
Total Transfers Out	<u>(1,006,944,042)</u>	<u>(1,051,550,208)</u>	<u>(1,146,304,626)</u>	<u>(1,352,978,463)</u>	<u>(959,547,378)</u>
Net Operating Transfers In (Out)	<u>(980,840,651)</u>	<u>(1,025,306,229)</u>	<u>(1,118,746,008)</u>	<u>(1,322,470,103)</u>	<u>(936,021,458)</u>
Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out	<u>36,298,576</u>	<u>47,315,191</u>	<u>14,310,573</u>	<u>(222,592,110)</u>	<u>(6,764,945)</u>
Fund Balances, July 1 as previously stated	101,680,857	148,530,451	211,266,962	243,822,148	243,822,148
Net Adjustment for previous year encumbrances	<u>10,565,018</u>	<u>15,211,912</u>	<u>18,244,613</u>	<u>30,429,310</u>	<u>30,429,310</u>
Fund Balances, July 1 restated	112,245,875	163,742,363	229,511,575	274,251,458	274,251,458
Equity transfers in (out)	<u>(14,000)</u>	<u>209,408</u>	<u>--</u>	<u>--</u>	<u>--</u>
Budgetary Fund Balance – Subtotal	<u>\$ 148,530,451</u>	<u>\$ 211,266,962</u>	<u>\$ 243,822,148</u>	<u>\$ 51,659,348</u>	<u>\$ 267,486,513</u>
Projections through year end:					
Revenue/Transfers In Remaining ⁽¹⁾				--	384,824,858
Expenditures/Transfers Out Remaining ⁽¹⁾				--	(436,386,744)
Budgetary Fund Balance Projected to June 30				<u>\$ 51,659,348</u>	<u>\$ 215,924,627</u>

(1) Estimated

(2) Updated for budget adjustments as of March 31, 2001.

Note: Actual and budget amounts are for fiscal years ended June 30.

Table 7
General Fund
Schedule Of Budgetary Fund Balance to
GAAP Fund Balance Reconciliation

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Projected July 1, 2000 to June 30, 2001 (Unaudited)
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted on previous page	\$148,530,451	\$211,266,962	\$243,822,148	\$215,924,627
Plus encumbrances outstanding	17,704,489	20,625,655	33,029,310	34,000,000 ⁽¹⁾
Adjustment for prior year encumbrances	(1,199,949)	(2,492,577)	(2,381,042)	(2,600,000) ⁽¹⁾
Unrealized investment gain (loss)	556,780	(1,290,016)	1,169,668	-- ⁽¹⁾
Net differences between beginning fund balances ⁽²⁾	<u>297,903</u>	<u>2,147,311</u>	<u>745,760</u>	<u>2,134,386</u>
GAAP Fund Balance as Reported/Projected	<u>\$165,889,674</u>	<u>\$230,257,335</u>	<u>\$276,385,844</u>	<u>\$249,459,013</u>
Elements of GAAP Fund Balance:				
Reservations	\$ 19,915,257	\$ 22,947,323	\$ 36,225,684	\$ 36,950,000 ⁽¹⁾
Designated for CIP Transfers	14,842,202	31,294,410	36,001,151	61,272,933 ⁽¹⁾
Designated for subsequent years expenditures	57,916,816	85,527,972	128,713,265	1,500,000 ⁽¹⁾
Unreserved/Undesignated	<u>73,215,399</u>	<u>90,487,630</u>	<u>75,445,744</u>	<u>149,736,080</u> ⁽¹⁾
Total	<u>\$165,889,674</u>	<u>\$230,257,335</u>	<u>\$276,385,844</u>	<u>\$249,459,013</u>

(1) Estimated

(2) Amount restated to break out the impact of unrealized investment gains (losses).

Note: All amounts are for fiscal years ended June 30.

TAX EXEMPTIONS

In the opinion of Bond Counsel, under existing law, the interest portion of the Purchase Installments to be made by the County as Purchaser under the Conditional Purchase Agreement and to be received by the Holders of the Certificates (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, the interest portion of such Purchase Installments will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain requirements that must be met subsequent to the issuance of the Certificates in order for the interest portion of the Purchase Installments paid to the Holders of the Certificates to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Certificates. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Certificates and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County will execute and deliver a Tax Certificate and Compliance Agreement (“Tax Agreement”) on the date of delivery of the Certificates. The covenants and agreements in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, the covenants and agreements in the Tax Agreement are sufficient to meet the requirements (to the extent applicable to the Certificates) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent the interest portion of the Purchase Installments paid to the Holders of the Certificates from becoming includable in gross income for Federal income tax purposes.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, “adjusted current earnings” would include, among other items, the interest portion of the Purchase Installments paid to the Holders of the Certificates. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include the interest portion of the Purchase Installments paid to the Holders of the Certificates.

Other Federal income tax consequences may arise from ownership of the Certificates, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Certificates, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including the interest portion of the Purchase Installments paid to the Holders of the Certificates, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Certificates, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes the interest portion of the Purchase Installments paid to the Holders of the Certificates, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective Holders of the Certificates should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The initial public offering price of some of the Certificates may be less than the amount payable on those Certificates at maturity. The excess, if any, of the amount payable at maturity of a Certificate over the initial public offering price (plus accrued interest from June 1, 2001, to the date of initial delivery of the Certificate) at which a substantial amount of the same maturity of the Certificates was sold constitutes original issue discount for Federal income tax purposes (“OID”).

The full amount of OID will accrue over the term of a Certificate in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Certificate, the amount of OID which is treated as having accrued with respect to such Certificate during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Certificates should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Certificates.

A Certificate will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Certificate exceeds the amount payable at maturity (or, in the case of a Certificate callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Certificate for purposes of determining gain or loss upon disposition of the Certificate by the amount of amortizable Certificate premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable Certificate premium on the Certificates.

Prospective purchasers of the Certificates should consider possible state and local, excise, or franchise tax consequences arising from OID on the Certificates. In addition, prospective corporate purchasers of the Certificates should consider possible Federal income tax consequences arising from OID on the Certificates under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Certificates, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Certificates should consult with their tax advisors as to the status and potential effect of such proposals.

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest portion of the Purchase Installments paid to the Holders of the Certificates and the profit realized from the sale or exchange of the Certificates is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Certificates or the interest thereon.

LEGAL MATTERS

Venable, Baetjer and Howard, LLP, Baltimore, Maryland is acting as Bond Counsel to the County in connection with the issuance of the Certificates. Delivery of the Certificates is conditioned upon delivery by Bond Counsel of an unqualified opinion substantially in the form set forth in Appendix D of this Official Statement.

Certain legal matters will be passed on for the Purchaser by the County Attorney of Montgomery County, Maryland.

LITIGATION

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. Management and legal counsel believe that the self-insurance program is adequately funded to cover such claims and lawsuits to be paid out of the program. In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits and actions arising in the normal course of business. In the opinion of the County Attorney, none of such claims and suits will materially affect the County's ability to perform its obligations to the holders of its bonds and other obligations.

INDEPENDENT PUBLIC ACCOUNTANTS

The audited general purpose financial statements of the County included in the County's Annual Information Statement dated December 27, 2000 and incorporated herein by reference as Appendix A to this Official Statement have been audited by KPMG LLP (KPMG), independent public accountants, as indicated in their report with respect thereto. In that report, KPMG states that with respect to certain of the County's component units, its opinion is based on the reports of other independent public accountants. The report of KPMG also contains an explanatory paragraph which states that KPMG did not audit certain identified supplementary information and expressed no opinion thereon. Such audited general purpose financial statements have been included in reliance upon the qualification of said firm to issue said report.

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland, has acted as Financial Advisor to the County for the sale and issuance of the Certificates and on certain other financial matters.

RATINGS

Fitch Inc., Moody's Investors Service, Inc. and Standard & Poor's, A Division of McGraw-Hill, have given the Certificates the respective ratings indicated on the cover page of this Official Statement. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or

that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Certificates to the effect that, to the best of their knowledge and belief, this Official Statement (including, without limitation, the County's Annual Information Statement dated December 27, 2000 and incorporated herein by reference as Appendix A), as of the date of sale and the date of delivery of the Certificates, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Certificates, the form of which is attached to this Official Statement as Appendix C. Potential purchasers of the Certificates should note that the definition of Reportable Events in Appendix C is intended to completely restate the events specified in Rule 15c2-12.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

MISCELLANEOUS

All references to the Conditional Purchase Agreement, the Trust Agreement and other documents mentioned herein and in the accompanying Appendices, including any summaries thereof, are qualified in their entirety by reference to such documents. The preparation of this Official Statement and its distribution have been duly authorized by the County Executive and the Director of Finance of Montgomery County, Maryland. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the registered Holders of the Certificates.

The information in this Official Statement is presented for the guidance of prospective purchasers of the Certificates described therein. The information has been compiled from official and other sources and, while not guaranteed by the County, is believed to be correct. So far as any statements made in this Official Statement and the Appendices attached hereto involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of facts, and no representation is made that any of the estimates will be realized.

The attached Appendices are integral parts of the Official Statement and must be read in their entirety together with all of the foregoing information.

MONTGOMERY COUNTY, MARYLAND

/s/ DOUGLAS M.DUNCAN
County Executive

180717

APPENDIX A

**ANNUAL INFORMATION STATEMENT
DATED DECEMBER 27, 2000**

**(Provided under separate cover
and incorporated herein by reference;
also available at www.mcmbonds.emontgomery.org)**

APPENDIX B

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not defined in this Official Statement shall have the meanings set forth in the Conditional Purchase Agreement and the Trust Agreement.

“Acceptance Certificate” means a certificate provided to the Seller as evidence of the date on which the Equipment has been finally accepted by County.

“Acceptance Date” means the date the Acceptance Certificate is delivered by the County and accepted by the Seller and Trustee.

“Acquisition Costs” means all costs paid or to be paid to acquire the Equipment in accordance with the Conditional Purchase Agreement.

“Interest Payment Date” means June 1 and December 1 of each year, commencing December 1, 2001.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including reasonable attorney’s fees) incurred in the collection of such claim or award.

“Revenues” means (i) all payments to be made by the County to the Trustee pursuant to the Conditional Purchase Agreement, (ii) the proceeds of the Certificates and all amounts from time to time on deposit in the funds and accounts established by the Trust Agreement (except for the amounts on deposit in the Rebate Fund) and (iii) all other revenues derived from the Conditional Purchase Agreement or the exercise of the remedies thereunder, including (without limitation) moneys attributable to the sale, leasing, subleasing or other disposition of the Equipment by or on behalf of the Trustee.

“Term” means the term beginning on the date of the Conditional Purchase Agreement and continuing until the Purchaser has paid the Purchase Price to the Seller and the Seller has delivered or caused to be delivered a release of the lien on the Equipment to the Purchaser, subject to earlier termination as set forth under “Summary of Certain Provisions of the Conditional Purchase Agreement - Term of Agreement” below.

SUMMARY OF CERTAIN PROVISIONS OF THE CONDITIONAL PURCHASE AGREEMENT

The following is a summary of certain provisions of the Conditional Purchase Agreement. This summary is not a complete recital of the terms of the Conditional Purchase

Agreement, and reference is made to the Conditional Purchase Agreement for a complete statement of its terms.

Term of Agreement (Sections 4.01 and 4.02)

The Conditional Purchase Agreement shall be in effect from the date of issuance of the Certificates and shall remain in effect until the Purchaser has paid the Purchase Price to the Seller and the Seller has delivered or caused to be delivered a release and quitclaim of all rights, title and interest in the Equipment. The Conditional Purchase Agreement is subject to earlier termination as set forth below, and if such termination occurs prior to the full payment of the Purchase Price of the Equipment, the Purchaser shall have no right to receive any refund of any Purchase Installments made by the Purchaser.

The Conditional Purchase Agreement will terminate upon the earliest of any of the following events: (a) the nonappropriation of funds; (b) the obtaining by the Purchaser of full ownership rights to the Equipment by payment or prepayment of the Purchase Price or all Purchase Installments in accordance with the provisions of the Conditional Purchase Agreement; (c) a default by the Purchaser and the Seller's election to terminate the Conditional Purchase Agreement; or (d) the payment by the Purchaser of all Purchase Installments required to be paid by the Purchaser under the Conditional Purchase Agreement and any other sums required to be paid thereunder and the delivery of a release of lien on the Equipment from Seller to Purchaser.

Nonappropriation (Section 6.06)

In the event sufficient funds shall not be appropriated for the payment of the Purchase Installments required to be paid under the Conditional Purchase Agreement, the Purchaser may terminate the Conditional Purchase Agreement at the end of the last fiscal year or earlier date for which an appropriation is available and the Purchaser shall not be obligated to make payment of the Purchase Installments provided for in the Conditional Purchase Agreement beyond the last date for which an appropriation is available. The Purchaser shall deliver written notice to the Seller of such termination no later than seven (7) days after the Purchaser has knowledge that an appropriation will not be available. The failure to give such notice shall not extend the Term beyond such fiscal year. Upon termination of the Conditional Purchase Agreement for nonappropriation, the obligations of the Purchaser requiring the expenditure of money will cease so long as all payments previously approved or appropriated have been made, and all title and interest of the Purchaser in the Equipment will terminate and be conveyed to the Seller, who may thereupon take possession of the Equipment and may take such other actions as are permitted to be taken upon an Event of Default, as provided in the Conditional Purchase Agreement.

Purchase Installments to be Unconditional (Section 6.03)

The obligation of the Purchaser to make payment of the Purchase Installments and to perform and observe the other covenants and agreements contained in the Conditional Purchase Agreement shall be absolute and unconditional in all events except as expressly provided under the Conditional Purchase Agreement. Notwithstanding any dispute between the Purchaser and the Seller, or any other person, or any defects, breakdowns or malfunctions in any portion of the

Equipment, the Purchaser shall make all payments of Purchase Installments when due and shall not withhold any part of any Purchase Installments pending final resolution of such dispute or repair of the Equipment nor shall the Purchaser assert any right of set-off, cross-claim, recoupment, or counterclaim against its obligation to make such payments required under the Conditional Purchase Agreement. The Purchaser's obligation to make Purchase Installments during the Term shall not be abated through accident or unforeseen circumstances.

Continuation of Term by Purchaser (Section 6.04)

The Purchaser agrees, subject to the nonappropriation provisions of the Conditional Purchase Agreement, to pay the Purchase Installments due under the Conditional Purchase Agreement. The Purchaser reasonably believes that funds of an amount sufficient to make all Purchase Installments during the Term will be available. The County Executive of the Purchaser further agrees to do all things lawfully within the County Executive's power annually to request the appropriation of funds from which the Purchase Installments and payments for all necessary insurance and maintenance on the Equipment may be made.

Nonsubstitution (Section 6.05)

The Purchaser agrees, to the extent permitted by law and subject to applicable public policy, (i) not to terminate the Conditional Purchase Agreement for nonappropriation in any fiscal year for which sufficient funds are appropriated for the payment of Purchase Installments due in that fiscal year for the acquisition, retention and/or operation of any portion of the Equipment, and (ii) the County Executive will use best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County to be submitted to the Montgomery County Council and a request for adequate funds to meet its obligations under the Conditional Purchase Agreement in full in its next fiscal year budget. The Purchaser agrees to apply funds that are appropriated for the Equipment to the payment of its obligations under the Conditional Purchase Agreement. This provision shall not be construed so as to permit the County Executive to, and the County Executive shall not, by failing to comply with the provisions of Section 6.04 of the Conditional Purchase Agreement described above, terminate the Conditional Purchase Agreement in order to acquire (through construction, purchase, lease or otherwise) similar, functionally similar or competitive equipment from any other party or to allocate funds to perform indirectly essentially the same functions to the same extent for which the Equipment is intended.

Essential Use (Section 6.07)

The Purchaser represents that the Equipment will be essential for the operations of the Purchaser and in order to meet the needs of the residents of Montgomery County, Maryland, and that the Purchaser is in immediate need of the Equipment in order to meet such needs.

Ownership of the Equipment (Section 7.01)

Ownership of the Equipment, and any and all additions, accretions, repairs, replacements or modification, has vested in the Purchaser subject to the terms of the Conditional Purchase

Agreement. In an event of default or nonappropriation, the Purchaser shall surrender possession of the Equipment to the Seller in accordance with the Conditional Purchase Agreement.

The vesting of title in the Purchaser shall not limit, waive or prejudice any right or remedy available to Seller pursuant to the Conditional Purchase Agreement.

Security Interest; Financing Statements (Section 7.02)

To secure the payment of all of Purchaser's obligations under the Conditional Purchase Agreement, Purchaser has granted to the Seller for the benefit of Seller a first-priority security interest in and to the Equipment and on any proceeds therefrom. Purchaser grants to Seller and agrees to provide further assurances with respect to rights of entry, access, ingress and egress to the Equipment to permit Seller to exercise its rights and obligations under the Conditional Purchase Agreement. Nothing in the Conditional Purchase Agreement shall permit Seller to sell the Equipment in violation of the Conditional Purchase Agreement. Purchaser agrees to execute any documents, including financing statements, affidavits, notices and similar instruments, in form satisfactory to Seller, which Seller deems necessary or appropriate to give notice of Seller's interest in the Equipment and, upon assignment, the interest of any assignee of Seller in the Equipment.

Operation and Maintenance of Equipment by Purchaser (Section 8.01)

The Purchaser agrees that during the Term, the Purchaser, at the Purchaser's own cost and expense, will maintain, preserve and keep the Equipment and every part and parcel thereof, in good repair, working order and condition and that the Purchaser, from time to time, will make or cause to be made all necessary and proper repairs, replacements and renewals necessary for the same.

Taxes, Other Governmental Charges and Utility Charges (Section 8.03)

The Purchaser will pay during the Term, subject to reasonable rights to defer and contest the applicability of such charges, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment and any substitute or replacement equipment together with any interest or penalty thereon, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment.

Insurance (Section 8.04)

The Purchaser shall during the Term, cause property insurance or self-insurance (by means of an adequate self-insurance fund set aside and maintained for that purpose) to be carried and maintained with respect to the Equipment in the amounts customarily maintained for real and personal property of the nature of those comprising the Equipment (plus an amount equal to the full insurable value of any improvements, additions or alterations made by Purchaser) including protection of the interests of the Seller and the Trustee, and sufficient to protect the Seller and the Trustee. Notwithstanding anything in the Conditional Purchase Agreement to the

contrary, the Purchaser shall at all times maintain property insurance or self-insurance in an amount equal to the principal amount of the Certificates at the time outstanding and interest thereon for the next succeeding six (6) month period.

Any insurance coverage issued pursuant to the Conditional Purchase Agreement shall be so written or endorsed as to make losses, if any, payable to the Purchaser, the Seller and the Trustee as their respective interests may appear under the Conditional Purchase Agreement. The Net Proceeds of the insurance required by the Conditional Purchase Agreement, shall be paid to the Trustee and applied as described in the Conditional Purchase Agreement. Each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially or adversely to the interest of the Seller and the Trustee without first giving written notice thereof to the Seller and the Trustee at least 20 days in advance of such cancellation.

If the Purchaser provides the insurance required by the Conditional Purchase Agreement through self-insurance, the Purchaser shall deliver to the Seller and the Trustee a letter certifying that such insurance is being provided by the Purchaser and setting forth the coverage provided by such self-insurance, the mechanisms for making claims under such self-insurance and such other information as the Seller may reasonably require.

Damage, Destruction and Condemnation (Section 9.01)

If prior to the termination of the Term (a) the Equipment or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any part thereof or the estate of the Purchaser or the Seller in the Equipment or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Purchaser and the Seller will cause the Net Proceeds of any insurance claim or condemnation, to be deposited in the Insurance and Condemnation Fund under the Trust Agreement. The Net Proceeds of any insurance, including the proceeds of any self-insurance fund, but not including the proceeds of any public liability insurance, and of any condemnation award, received on account of any damage, destruction or taking of the Equipment shall be made available to the Purchaser upon its request to replace, repair, rebuild, restore or modify the Equipment pursuant to the requisition procedures set forth in the Trust Agreement. Pending such application, such proceeds may be invested by the Trustee in Qualified Investments (as defined below under "Summary of Certain Provisions of the Trust Agreement - Investments") that mature not later than such times as shall be necessary to provide monies when needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the Purchaser shall notify the Trustee, within 60 days of the receipt by the Purchaser of written notice from the Trustee that the Trustee has received insurance or condemnation proceeds, whether the Purchaser intends to replace or repair the property in respect of which such proceeds were received, in which event the Purchaser shall deposit with the Trustee the full amount of any insurance deductible. The Net Proceeds of any insurance, including the proceeds of any self-insurance fund or of any condemnation award but not including the proceeds of any public liability insurance, not applied to repairing or replacing

damaged, destroyed or taken property, or in respect of which notice in writing by the Purchaser of its intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken shall not have been given to the Trustee within six months of receipt of such proceeds by the Trustee, or which the Purchaser shall at any time during such period have notified the Trustee are not to be so applied, shall forthwith be applied to the redemption of Certificates in the manner specified in the Trust Agreement.

Insufficiency of Net Proceeds (Section 9.02)

If the Net Proceeds are insufficient to pay in full the cost of any replacement, repair, rebuilding, restoration or modification referred to above under “Damage, Destruction and Condemnation,” the Purchaser shall either (a) complete the work and pay any cost in excess of the amount of the Net Proceeds (the Purchaser agrees that, if by reason of such insufficiency of the Net Proceeds, the Purchaser shall make any payments pursuant to these provisions, the Purchaser shall not be entitled to any reimbursement therefor from the Seller nor shall the Purchaser be entitled to any diminution of the amounts payable under the Conditional Purchase Agreement), or (b) if the Purchaser is not in default under the Conditional Purchase Agreement and the Trustee has received all compensation due and owing pursuant to the Conditional Purchase Agreement, pay to the Seller the amount of the then applicable Purchase Price plus a pro rata allocation of interest, at the rate or rates utilized to establish the then-unpaid Purchase Installments, from the prior due date of a Purchase Installment until the date of the payment, and, upon such payment, the Term shall terminate and title to the Equipment shall be conveyed by Seller to Purchaser as provided in the Conditional Purchase Agreement. The amount of the Net Proceeds in excess of the then applicable Purchase Price, if any, may be retained by the Purchaser.

Assignment and Subleasing by Purchaser (Section 12.02)

The Conditional Purchase Agreement and the interest of the Purchaser in the Equipment may not be sold, leased, pledged, assigned or otherwise encumbered by the Purchaser for any reason without the prior written approval of the Seller, which approval shall be granted if the Seller reasonably determines that the Seller’s security in the Equipment will not be adversely affected.

Consummation of Purchase (Section 11.01)

At the request of the Purchaser, the Seller’s remaining interest in the Equipment will be transferred, conveyed and assigned to the Purchaser and the Conditional Purchase Agreement and the Seller’s interest in the Equipment shall terminate: (a) at the end of the Term, upon payment in full of all Purchase Installments due under the Conditional Purchase Agreement and all other sums required to be paid thereunder; or (b) prior to the end of the Term, on any timely date for the payment of a Purchase Installment, upon payment by the Purchaser of the then applicable Purchase Price in conjunction with the Purchase Installment then due and owing, including any applicable premium; or (c) upon payment of the applicable Purchase Price and interest to the Seller as described above under “Insufficiency of Net Proceeds.”

Certificates to be Tax Exempt (Section 14.12)

The Purchaser has covenanted that, unless and until the Purchaser has been advised by nationally recognized bond counsel that failure to comply will not cause interest on the Certificates to become subject to federal income taxation, the Purchaser shall comply with the provisions of the Internal Revenue Code of 1986, as amended, applicable to the Certificates, including, without limitation, any provision regulating or restricting the times within which, or the purposes for which, proceeds of the Certificates may be expended, any provisions restricting the yields that may be earned on the investment of proceeds of the Certificates or other funds relating to the Certificates, any provisions requiring the rebate to the United States of earnings received from the investment of proceeds of the Certificates or other funds relating to the Certificates, and any provisions requiring the filing of information or reports regarding the Certificates with the Internal Revenue Service.

The Purchaser has further covenanted that it shall make such use of the Equipment and of the proceeds of the Certificates, regulate the investment of the proceeds thereof, and take such other and further actions as may be required under the Internal Revenue Code of 1986, as amended, to maintain the exclusion from gross income for federal income tax purposes of interest on the Certificates (unless and until the Purchaser has been advised by nationally recognized bond counsel that failure to comply will not cause the interest on the Certificates to become subject to federal income taxation).

The Purchaser shall be permitted to enter into an agreement with the Trustee or other persons under which such persons assume responsibility for such actions as are necessary to comply with such covenants.

Events of Default and Remedies (Article XIII)

The following constitute “events of default” under the Conditional Purchase Agreement, subject to the provisions of the Conditional Purchase Agreement regarding non-appropriation: (a) failure by the Purchaser (i) to pay any Purchase Installment at the time specified in the Conditional Purchase Agreement, or (ii) to pay any payment other than Purchase Installments required to be paid under the Conditional Purchase Agreement at the time specified therein and the expiration of a grace period of 15 days and subject to the Purchaser’s rights to defer and contest certain charges, or (iii) to observe and perform its obligations regarding maintenance of the Equipment insurance coverage and the use of insurance or condemnation proceeds and regarding insurance or self-insurance for casualty and property damage; or (b) failure by the Purchaser to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 30 days after written notice to the Purchaser by the Seller, specifying such failure and requesting that it be remedied, unless the Seller shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Seller will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Purchaser within the applicable period and diligently pursued until the default is corrected; or (c) any representation or warranty contained in the Conditional Purchase Agreement or any document, certificate or information furnished by the

Purchaser in connection therewith shall prove to be untrue or incorrect in any material respect when made; or (d) the Purchaser files any proceeding under the Federal Bankruptcy Code or makes a general assignment for the benefit of creditors or institutes or consents to the filing of any proceeding for any receivership under any other bankruptcy or insolvency laws.

Whenever any event of default shall have happened and be continuing, the Seller shall have all the rights and remedies of a secured party under the Uniform Commercial Code in effect in Maryland. Without limiting the generality of the foregoing, Seller shall have the right, at its sole option, without any further demand or notice, to terminate the Conditional Purchase Agreement and take any one or any combination of the following remedial steps:

(a) Terminate the Conditional Purchase Agreement and retake possession of the Equipment, without any court order or other process of law and without liability for entering the premises, and lease, sublease or make other disposition of the Equipment for use over a term in a commercially reasonable manner, holding the Purchaser liable for the deficiency, if any, between (i) the amount actually appropriated for the purchase of the Equipment and unpaid by the Purchaser during the current fiscal year and which is therefore payable by the Purchaser under the Conditional Purchase Agreement to the end of the current fiscal year of Purchaser and (ii) the rent or other amounts paid by a lessee or sublessee of the Equipment pursuant to such lease or sublease, after deducting all costs and expenses, including reasonable attorneys' fees and expenses, incurred with respect to the recovery and repair of the Equipment.

(b) Terminate the Conditional Purchase Agreement and retake possession of the Equipment, without any court order or other process of law and without liability for entering the premises, and sell the Equipment in a commercially reasonable manner. The Purchaser shall be liable for the deficiency, if any, between (i) the amount actually appropriated for the purchase of the Equipment and unpaid by the Purchaser during the current fiscal year and which is therefore payable by the Purchaser under the Purchase Contract to the end of the current fiscal year of the Purchaser, and (ii) the sale proceeds or purchase moneys or other amounts paid to the Seller by a buyer of the Equipment pursuant to such sale of the Equipment in a commercially reasonable manner, after deducting all costs and expenses, including reasonable attorneys' fees and expenses, incurred with respect to the recovery, repair and storage of any portion of the Equipment. In the event there is no deficiency, the Seller shall apply the sale proceeds or purchase moneys or other amounts paid by a buyer for the Equipment in the following manner:

FIRST, to pay all proper and reasonable costs and expenses associated with the recovery, repair, and sale of any portion of the Equipment;

SECOND, to pay the Seller (i) the amount of all unpaid Purchase Installments, if any, which are then due and owing, together with interest at a rate utilized to establish the interest component for any such Purchase Installment from its due date, and (ii) the then applicable Purchase Price as set forth in the Conditional Purchase Agreement (taking into account the payment of past due Purchase Installments as aforesaid), plus a pro rata allocation of interest, at the rate utilized to establish the interest component for the Purchase Installment next due, from the next preceding due date of a Purchase Installment until the date of payment by the buyer;

THIRD, to pay any compensation due and owing the Trustee; and

FOURTH, to pay the remainder of the sale proceeds, purchase moneys or other amounts paid by a buyer of the Equipment, to the Purchaser.

Whenever an event of default referred to clause (a)(iii), (b), (c) or (d) of the first paragraph of this subsection shall have happened and be continuing, the Seller shall have the right, at its sole option, without further demand or notice, to institute appropriate legal proceedings to require the Purchaser to cure any event of default referred to in such clause by observing, complying with or performing its obligations thereunder.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Seller to exercise any remedy reserved to it under the Conditional Purchase Agreement, it shall not be required to give any notice, other than such notice as may be required in the Conditional Purchase Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary is not a complete recital of the terms of the Trust Agreement, and reference is made to the Trust Agreement for a complete statement of its terms.

Security (Granting Clause)

In order to secure the payments due or to become due under or pursuant to the Certificates, the County and the Seller have unconditionally and absolutely assigned to the Trustee for the benefit of the Certificate Holders all of their respective rights under the Conditional Purchase Agreement and all of their respective right, title and interest in and to the following: the right to receive Revenues; the proceeds of the Certificates and all amounts on deposit from time to time in the funds and accounts established by the Trust Agreement (except for amounts on deposit in the Rebate Fund); and all moneys and securities from time to time held by the Trustee under the terms of the Trust Agreement and any additional property that may from time to time, by delivery or by writing of any kind, be subjected to the lien thereof by the Seller or by anyone on its behalf, subject only to the provisions of the Trust Agreement and the Conditional Purchase Agreement.

Creation of Funds and Accounts (Article IV)

The following funds and accounts are created by the Trust Agreement: Equipment Fund; Certificate Fund (Principal Account and Interest Account); Insurance and Condemnation Fund and Rebate Fund. Except for the Rebate Fund, all funds and accounts are to be held in trust for the benefit of the Certificate Holders; the Rebate Fund is to be held by the Trustee for provision

of any rebate to be made to the United States pursuant to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

Application of Equipment Fund (Section 4.02)

Moneys on deposit in the Equipment Fund shall be paid by the Trustee for the costs of issuance of the Certificates upon receipt from the County of a duly executed requisition.

Moneys on deposit in the Equipment Fund shall be paid by the Trustee to pay the cost of acquisition of the Equipment upon receipt from the County of a duly executed requisition.

Upon the earlier of (i) three years from the date of initial authentication and delivery of the Certificates and (ii) the payment of all of the Acquisition Costs and the filing with the Trustee of the Acceptance Certificate by the County, the Trustee, at the written direction of the County, shall transfer any moneys remaining in the Equipment Fund to the Principal Account of the Certificate Fund.

Application of Certificate Fund (Section 4.03)

The Trustee shall deposit Revenues immediately upon their receipt by the Trustee, including (without limitation) amounts received by the Trustee pursuant to the Conditional Purchase Agreement, as follows:

FIRST: to the Interest Account the amount, if any, necessary to make the amount on deposit in the Interest Account equal to the interest to accrue on the Certificates until the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date;

SECOND: to the Principal Account, the amount, if any, necessary to make the amount on deposit therein equal to the principal amount or redemption price of the Certificates due on the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date; and

THIRD: to the Trustee, the accrued and unpaid fees and expenses of the Trustee in accordance with the Trust Agreement.

After making the payments required by items FIRST through THIRD above, the Trustee shall deposit any balance of Revenues held by the Trustee in the Interest Account.

Notwithstanding the foregoing, upon receipt of any late payment of a Purchase Installment, the Trustee shall deposit such Purchase Installment as follows:

FIRST: to the Interest Account, an amount equal to the amount of interest, if any, theretofore due to Certificate Holders and unpaid;

SECOND: to the Principal Account, an amount equal to the amount of principal, if any, theretofore due to the Certificate Holders and unpaid;

THIRD: to the Trustee, the accrued and unpaid fees and expenses of the Trustee in accordance with the Trust Agreement;

FOURTH: to the Interest Account, the amount, if any, necessary to make the amount on deposit in the Interest Account equal to the interest to accrue on the Certificates until the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date fixed in accordance with the Trust Agreement; and

FIFTH: to the Principal Account, the amount, if any, necessary to make the amount on deposit therein equal to the principal amount or redemption price of the Certificates due on the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date of which the Trustee shall then have knowledge.

After making the payments required by items FIRST through FIFTH above, the Trustee shall deposit any balance of such Purchase Installment in the Interest Account.

On each Interest Payment Date and redemption date the Trustee shall pay or cause to be paid out of the Interest Account the interest due on the Certificates on such date. On each Interest Payment Date and redemption date the Trustee shall pay or cause to be paid out of the Principal Account the principal or redemption price due on the Certificates on such date.

If on any Interest Payment Date or redemption date fixed in accordance with the Trust Agreement the amount of all payments due and payable on such date with respect to all of the Certificates exceeds the amount on deposit in the Certificate Fund, the Trustee shall apply the moneys on deposit in the Certificate Fund first to the payment of all interest, including interest past due, if any, with respect to all Certificates, and second to the payment of that portion of the unpaid principal balance of each Certificate that is then due or past due on a pro rata basis.

Surplus (Section 4.05)

On June 1 and December 1 of each year, after the payment of all amounts due and payable on such date with respect to all of the Certificates and the amount of any fees and expenses of the Trustee, the Trustee shall pay any amount on deposit in the Interest Account of the Certificate Fund to the County.

Application of Insurance and Condemnation Fund (Section 4.06)

Anything in the Trust Agreement to the contrary notwithstanding, Net Proceeds of any insurance claim or condemnation received in accordance with the Conditional Purchase Agreement shall be deposited immediately upon their receipt by the Trustee in the Insurance and Condemnation Fund.

Moneys in the Insurance and Condemnation Fund shall be applied by the Trustee in accordance with the Conditional Purchase Agreement for the following purposes:

(a) disbursement to or at the direction of the County in accordance with duly executed requisitions to pay the costs of repair or replacement of lost, damaged, destroyed or taken property upon receipt from the County of a duly executed requisition;

(b) if the County shall not elect, in the manner provided by the Conditional Purchase Agreement, to repair or replace any lost, damaged, destroyed or taken property for which such moneys were received within six (6) months of such loss, damage, destruction or taking, the Trustee shall transfer such moneys to the Principal Account of the Certificate Fund to be applied to the mandatory redemption of Certificates on the earliest practicable redemption date; provided, however, that in the event of the issuance of any Additional Certificates, such moneys shall be allocated by the Trustee between the payment of Certificates and Additional Certificates, proportionately on the basis of the respective aggregate principal amount of Certificates and Additional Certificates then Outstanding; or

(c) if the County shall elect to prepay the Purchase Price because the insurance or condemnation proceeds were insufficient to repair or replace the lost, damaged, destroyed or taken property as provided by the Conditional Purchase Agreement, the Trustee shall transfer such moneys, first, to the Principal Account of the Certificate Fund to be applied to the mandatory redemption of Certificates on the earliest practicable redemption date; provided, however, that in the event of the issuance of any Additional Certificates, such moneys shall be allocated by the Trustee between the payment of Certificates and Additional Certificates, proportionately on the basis of the respective aggregate principal amount of Certificates and Additional Certificates then Outstanding; and, then, to the County.

Application of Rebate Fund (Section 4.08)

Upon receipt of a written direction delivered to the Trustee by the County directing the transfer of amounts on deposit in any fund or account created by the Trust Agreement to the Rebate Fund in order to provide for the rebate of such amounts to the United States of America pursuant to the Internal Revenue Code of 1986, as amended, the Trustee shall make the transfer referred to therein, any other provision of the Trust Agreement to the contrary notwithstanding. The Trustee assumes no responsibility for determining the amount of such rebate and will only transfer to the Rebate Fund or remit to the United States of America such amounts as the County so directs.

Amounts on deposit in the Rebate Fund from time to time required to be rebated to the United States of America pursuant to the Internal Revenue Code of 1986, as amended, shall be applied by the Trustee to the payment of such rebates and shall not be pledged to the payment of the principal or redemption price of or interest on the Certificates.

Investments (Section 4.07)

Moneys held by the Trustee under the Trust Agreement shall be invested upon written order of a County Representative by the Trustee in Qualified Investments; provided, however, that amounts on deposit in the Certificate Fund shall be invested only in Qualified Investments maturing or redeemable at the option of the holder not later than one year from the date of

purchase. Such investments shall be registered in the name of the Trustee or any authorized nominee of the Trustee and held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment.

“Qualified Investments” means any of the following which, at the time of investment, constitute legal investments under the laws of the State of Maryland for the moneys proposed to be invested therein: (a) direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the payment of principal of and interest on which are guaranteed by, the United States of America, which are non-callable and which at the time of investment are legal investments under the laws of the State of Maryland for trust funds held by the Trustee; (b) interest-bearing demand or time deposits (including bonds of deposit) in a federal- or State-chartered savings and loan association or in a federal or State bank (including the Trustee), provided that (i) such deposits are fully insured by the Federal Deposit Insurance Corporation, or (ii) such deposits are fully secured by securities described in clause (a) above which are in the possession of the Trustee; (c) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances, which have a maturity of not more than 365 days and which are eligible for purchase by the Federal Reserve System and the obligations of which commercial bank or the obligations of the holding company of which carry one of the three highest rating categories by Fitch, Moody’s or S&P; (d) (i) obligations issued by any state, or the District of Columbia, or any political subdivision thereof, and any possession of the United States or any political subdivision thereof, the interest on which is excluded from the gross income of the owner thereof for Federal income tax purposes which has a short term credit rating of A-1 (or the equivalent thereof) or better or a long term credit rating of A+ (or the equivalent thereof) or better by Fitch, Moody’s or S&P, or (ii) interests in money market funds or money market accounts (including those of the Trustee) which are rated “AAAm” (or the equivalent thereof) or “AAAm-G” (or the equivalent thereof) by Fitch, Moody’s or S&P.

For the purpose of determining the amount on deposit in any fund or account created by the Trust Agreement, all Qualified Investments credited to such fund or account shall be valued at the greater of market value and amortized cost (exclusive of accrued interest after the first interest payments following purchase). The Trustee may sell at the best price obtainable, or present for redemption, any Qualified Investment so purchased by the Trustee, whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Qualified Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Interest earned, profits realized or losses suffered by reason of the investment of any fund or account created by the Trust Agreement shall be deposited in the fund or account for which such investment shall have been made.

Additional Certificates (Section 7.10)

So long as the Conditional Purchase Agreement is in effect and no Event of Default shall have occurred and be continuing thereunder or under the Trust Agreement, one or more series of Additional Certificates on a parity with the Certificates may be issued for the purpose of providing additional funds necessary for the completion of the acquisition of the Equipment. Each series of Additional Certificates shall be issued in such principal amount, mature on such dates, bear interest at such rates and have such provisions for redemption and other terms and conditions not inconsistent with the Trust Agreement as shall be specified in a supplemental trust agreement authorizing such Additional Certificates. Additional Certificates shall not bear interest at a variable rate.

Prior to the issuance of each series of Additional Certificates and the execution and delivery of a supplemental trust agreement in connection therewith, the County and the Seller, or its assignee, shall enter into an amendment to the Conditional Purchase Agreement, which shall provide, among other things, that, with the consent of the County, the Purchase Price and the Purchase Installments shall be increased and computed so as to amortize in full the principal of and interest on such Additional Certificates and any other costs in connection therewith. Certain additional conditions specified in the Trust Agreement must also be met prior to issuance of Additional Certificates.

Supplements and Amendments to Trust Agreement (Sections 10.01 and 10.02)

Without the consent of the Certificate Holders, the County and the Trustee may from time to time, and at any time, enter into such supplemental trust agreements as shall not be inconsistent with the terms and provisions of the Trust Agreement and, in the opinion of the County and the Trustee, shall not be detrimental to the interests of the Certificate Holders:

- (a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Trust Agreement or in any supplemental trust agreement;
- (b) to grant to or confer upon the Trustee or the Certificate Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee or the Certificate Holders;
- (c) to authorize the issuance of Additional Certificates pursuant to the Trust Agreement; or
- (d) to make any other change in the Trust Agreement that, in the opinion of the County and the Trustee, shall not prejudice in any material respect the rights of the Holders of Certificates Outstanding at the date as of which such change shall become effective.

Not less than thirty (30) days prior to the execution of any supplemental trust agreement for any of the purposes described above, the Trustee shall cause a notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all Holders of Certificates.

Subject to the terms and provisions described below and not otherwise, Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding shall have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of a supplemental trust agreement for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any supplemental trust agreement; provided, however, that nothing described herein shall permit, or be construed as permitting:

- (a) a preference or priority of any Certificate or Certificates over any other Certificate or Certificates;
- (b) a change in the interest rates, payment terms or payment dates of any of the Certificates;
- (c) a reduction in the aggregate principal amount of the Certificates without the consent of the holders of such Certificates; or
- (d) the adoption of a provision in any supplemental trust agreement which increases the obligations of the Purchaser under the Conditional Purchase Agreement.

If at any time the Trustee shall be requested to enter into any supplemental trust agreement for any of the purposes described above, the Trustee shall promptly cause notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all Certificate Holders.

If the Holders of not less than a majority in aggregate principal amount of the Certificates at the time of the execution of such supplemental trust agreement shall have consented to and approved the execution thereof as provided in the Trust Agreement, no Certificate Holder shall have any right to object to the execution of such supplemental trust agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof.

Defaults and Remedies (Article XI)

The occurrence of an Event of Default under the Conditional Purchase Agreement constitutes an Event of Default under the Trust Agreement. The failure by the Trustee to receive from the County sufficient amounts to pay principal or redemption price of or interest on the Certificates when due or to redeem Certificates on any date fixed for redemption of Certificates, or the failure by the Trustee to pay to the Certificate Holders the interest on or principal of any Certificate when due, also constitute Events of Default under the Trust Agreement.

If an Event of Default under the Trust Agreement occurs and is continuing, the Trustee may, and shall, upon written request of the Holders of not less than a majority in aggregate

principal amount of the Certificates then outstanding, declare the principal amount of and accrued interest on the Certificates due and payable.

The above provisions, however, are subject to the condition that after the principal of and accrued interest on the Certificates shall have been so declared to be due and payable, the Trustee may, and shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding, waive such Event of Default and rescind and annul such declaration and its consequences by written notice to the County; provided that no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon and provided further that an Event of Default in the payment of interest on or principal of a Certificate may not be waived without the written consent of the Holders of all Certificates then Outstanding.

The Trustee, as Seller under the Conditional Purchase Agreement, may, in its discretion, enforce each and every right or remedy granted to the Seller pursuant to the Conditional Purchase Agreement.

Upon the happening of any Event of Default under the Conditional Purchase Agreement or the Trust Agreement, the Trustee may, and shall, upon the written request of the Holders of not less than a majority, in aggregate principal amount of the Certificates then outstanding and receipt of indemnity to its satisfaction: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Certificate Holders, and require the County to carry out any agreements with or for the benefit of the Certificate Holders and to perform its duties under the Conditional Purchase Agreement and the Trust Agreement; (b) bring suit against the County upon the Conditional Purchase Agreement; (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Certificate Holders; (d) intervene in proceedings involving the rights of the Seller, the Trustee or the Certificate Holders; or (e) exercise any other rights or remedies now or hereafter existing at law or in equity including, without implied limitation, the rights and remedies of the Trustee as Seller under the Conditional Purchase Agreement.

No Certificate Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust, or any other remedy, under the Trust Agreement or on the Certificates, unless (a) such Certificate Holder previously shall have given to the Trustee written notice of a continuing Event of Default; (b) the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted, or to institute such action, suit or proceeding in its or their name; (c) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses (including counsel fees) and liabilities to be incurred therein or thereby; and (d) the Trustee shall not have complied with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy thereunder; it being understood and intended that no one or more Holders of the Certificates thereby secured shall have any right in any manner

whatever by his, her or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right thereunder or under the Certificates, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity shall be instituted, held and maintained in the manner therein provided and for the equal and ratable benefit of all Holders of outstanding Certificates.

Nothing contained in the Trust Agreement shall, however, affect or impair the right of any Holder of Certificates to enforce the payment of the principal of and the interest on any Certificate at and after the maturity thereof.

Defeasance (Article XII)

If the Trustee shall pay or cause to be paid the principal or redemption price of and interest on all of the Certificates, then the pledge of the Trust Estate pursuant to the granting clauses of the Trust Agreement and all other rights granted to the Trustee or the Certificate Holders shall be discharged and satisfied. In such event, upon the request of the County, the Trustee shall execute and deliver to the County all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee, without any request required, shall pay or deliver all moneys, securities and funds held by it pursuant to the Trust Agreement that are not required for the payment or redemption of Certificates not theretofore surrendered for such payment or redemption to the County or to such officer, board or body as may then be entitled by law to receive the same.

A Certificate shall be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement if (i) sufficient money for the payment of the principal or redemption price of and interest on such Certificate shall then be held by the Trustee (through deposit by the County of moneys for such payment or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Certificates, or (ii) if the maturity or redemption date of such Certificate shall not then have arrived, provision shall have been made for the payment of the principal or redemption price of and interest on such Certificate on the due dates for such payments, by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide sufficient moneys for such payment and the Trustee shall have made provision for one (1) publication in a daily newspaper printed in the English language and having a general circulation in Baltimore, Maryland (an "Authorized Baltimore Newspaper"), and in a daily newspaper or a financial journal printed in the English language and having a general circulation in the Borough of Manhattan, City and State of New York (an "Authorized New York Newspaper") at the expense of County, that such moneys are so available for such payment; provided, however, that if any such Certificate is to be redeemed prior to the maturity thereof, provisions shall have been made for the giving of notice of such redemption.

Anything in the Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Certificates that remain unclaimed for five (5) years after the date on which such Certificates became due and payable either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for 5 years after the date of deposit of such moneys if deposited with

the Trustee after such date, shall, at the written request of the County Representative, be repaid by the Trustee to the County or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that, before being required to make any such payment, the Trustee may, at the expense of the County, cause to be published in an Authorized Baltimore Newspaper and an Authorized New York Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not fewer than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the County.

Limitations on Liability (Sections 8.14 through 8.15)

Except as otherwise provided in the Trust Agreement, the Trustee shall have no obligation or liability to the Certificate Holders with respect to the payment of the Purchase Installments when due, or with respect to the performance by the County of any other covenant made by the County in the Conditional Purchase Agreement.

The liability of the County is limited solely to its obligations under the Conditional Purchase Agreement. No recourse shall be had for the payment of the principal or redemption price and interest on any Certificate or for any claims based thereon, on the Conditional Purchase Agreement or on the Trust Agreement against any officer, official, council member, employee or agent of Montgomery County, Maryland, all such liability, if any, being expressly waived and released by every Holder of a Certificate by the acceptance of such Certificate.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of [closing date] (the “Disclosure Agreement”) is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the “County”) in connection with the issuance of its \$54,660,000 Certificates of Participation (Equipment Acquisition Program), Series 2001, evidencing proportionate interests in a Conditional Purchase Agreement (the “Certificates”). The County, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners of the Certificates, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. *Definitions.* In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor organization. The current address of the MSRB is:

MUNICIPAL SECURITIES RULEMAKING BOARD
Continuing Disclosure Information System
1640 King Street, Suite 300
Alexandria, Virginia 22314-2719
(202) 223-9503 (phone)
(703) 683-1930 (fax)

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORIES	DPC DATA, INC.
Attn: Municipal Dept.	One Executive Drive
P.O. Box 840	Fort Lee, NJ 07024
Princeton, NJ 08542-0840	(201) 346-0701 (phone)
(609) 279-3225 (phone)	(201) 947-0107 (fax)
(609) 279-5962 (fax)	E-mail: nrmsir@dpccdata.com
E-mail: MUNIS@Bloomberg.com	

INTERACTIVE DATA

Attn: Repository
100 Williams Street
New York, NY 10038
(212) 771-6899 (phone)
(212) 771-7390 (fax)
E-mail: nrmsir@interactivedata.com

STANDARD & POOR'S J.J. KENNY
REPOSITORY

55 Water Street
45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
E-mail: nrmsir_repository@sandp.com

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Reportable Event" shall mean any of the events listed in Section 4a. of this Disclosure Agreement.

"Repository" shall mean each National Repository and the State Depository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action letters and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission including, by way of example, the staff guidance dated June 23, 1995 to the National Association of Bond Lawyers ("NABL") from Robert L. D. Colby, Deputy Director, and the staff guidance dated September 19, 1995, to NABL from Catherine McGuire, Chief Counsel.

"State Depository" shall mean any public or private repository or entity designated by the State of Maryland as a state information depository for purposes of the Rule. As of the date of this Disclosure Agreement, there is no State Depository.

SECTION 3. Provision of Annual Financial Information, Operating Data and Audited Information.

a. The County shall provide to each Repository, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ending June 30, 2001:

(i) Statement of Direct and Overlapping Debt; (ii) General Bonded Debt Ratios; (iii) Assessed Value of All Taxable Property By Class; (iv) Property Tax Levies and Collections; (v) Property Tax Rates and Tax Levies, By Purpose, and (vi) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

b. The County shall provide to each Repository annual audited financial statements for the County, such information to be made available within 275 days after the end of the County's fiscal year,

commencing with the fiscal year ending June 30, 2001, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ending June 30, 2001), the County will provide unaudited financial statements within such time period.

c. The presentation of the financial information referred to in paragraph a. and in paragraph b. shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Certificates.

d. If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in a. and b. above, the County shall send in a timely manner a notice of such failure to each National Repository or to the MSRB and to the State Depository.

e. The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. *Reporting of Significant Events.*

a. This Section 4 shall govern the giving of notices of the occurrence of any of the following Reportable Events with respect to the Certificates, each of which shall constitute a Reportable Event for purposes hereof:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Certificates;
- (7) Modifications to rights of owners of the Certificates;
- (8) Certificate calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates; or
- (11) Rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Reportable Event, the County shall as soon as possible determine if such event would constitute material information for owners of Certificates, in accordance with the applicable “materiality” standard under then-current securities laws.

c. If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the National Repositories or the MSRB and the State Depository.

SECTION 5. *Termination of Reporting Obligations.* The County’s obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Certificates either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Certificates within the meaning of the Rule.

SECTION 6. *Amendments.*

a. The County may provide further or additional assurances that will become part of the County’s obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion, provided that:

(1) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the County as the obligated person with respect to the Certificates, or type of business conducted by the County;

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of owners of the Certificates, including beneficial owners, as determined by bond counsel selected by the County or by an approving vote of at least 25% of the outstanding principal amount of the Certificates.

b. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 7. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made

pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3a. or 3b. hereof or notice of occurrence of a Reportable Event.

SECTION 8. *Limitation on Remedies and Forum.*

a. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to Director of Finance, 15th Floor, Executive Office Building, 101 Monroe Street, Rockville, Maryland 20850, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 3a. or 3b. hereof or a notice of occurrence of a Reportable Event.

b. Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

SECTION 9. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Certificates, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 10. *Relationship to Certificates.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Certificates. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Certificates.

SECTION 11. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 12. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 13. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 14. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State of Maryland, without reference to the choice of law principles thereof.

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

MONTGOMERY COUNTY, MARYLAND

By: _____
Director of Finance

DRAFT APPROVING OPINION OF BOND COUNSEL

(Letterhead of Venable, Baetjer and Howard, LLP)

County Executive and County Council for
Montgomery County, Maryland
Rockville, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to Montgomery County, Maryland (the “County”) in connection with the issuance of its \$54,660,000 Certificates of Participation (Equipment Acquisition Program), Series 2001, evidencing proportionate interests in a Conditional Purchase Agreement (the “Certificates”). In such capacity, we have examined:

(i) a Conditional Purchase Agreement dated as of June 1, 2001 (the “Conditional Purchase Agreement”), between First Union National Bank, as trustee under the Trust Agreement (defined below), acting as seller (the “Seller”) and Montgomery County, Maryland (the “County”), acting as purchaser;

(ii) a Certificate of Participation Trust Agreement dated as of June 1, 2001 (the “Trust Agreement”) between the County, the Seller and First Union National Bank, as trustee (the “Trustee”) authorizing the issuance of the Certificates;

(iii) the executed and authenticated Certificates;

(iv) relevant provisions of the Constitution and laws of the State of Maryland and the Montgomery County Code;

(vi) an opinion of the County Attorney of the County, which opinion is in a form satisfactory to us. We are relying on such opinion in rendering our opinions regarding (i) the due authorization, execution and delivery of the Conditional Purchase Agreement and the Trust Agreement by the Seller and the Trustee and by the County, respectively; (ii) the valid and binding nature of the obligation of the Conditional Purchase Agreement on the Seller and on the County, respectively; and (iii) the valid and binding nature of the obligation of the Trust Agreement on the Seller and the Trustee and on the County, respectively; and

(vii) other proofs and opinions submitted to us relative to the issuance of the Certificates.

The Conditional Purchase Agreement provides for the payment by the County of purchase installments (the "Purchase Installments"). Each Purchase Installment has a principal portion and an interest portion. Each Certificate represents a proportionate interest in the Purchase Installments.

The Certificates are issued as fully-registered Certificates in the denominations of \$5,000 each or any integral multiple thereof. The Certificates bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Certificates.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

Based on the foregoing, it is our opinion that, under existing law:

(a) The Conditional Purchase Agreement has been duly authorized, executed and delivered between the parties thereto and constitutes the valid and binding obligation of the Seller and the County.

(b) The Trust Agreement has been duly authorized, executed and delivered among the parties thereto and constitutes the valid and binding obligation of the County, the Seller and the Trustee.

(c) The Certificates have been duly authorized, executed and delivered as set forth in the Trust Agreement, are validly issued, and represent proportionate interests in the Purchase Installments.

(d) The Certificates and the Conditional Purchase Agreement shall not ever constitute a debt of the County within the meaning of any constitutional, statutory or charter limitation or a charge against the general credit or taxing power of the County. The Certificates are payable from the moneys and property pledged to their payment under the Trust Agreement, including the payments to be made by the County under the Conditional Purchase Agreement. The County has not pledged its full faith and credit or its taxing powers to the payment of the Purchase Installments. The obligation of the

County to make payments under the Conditional Purchase Agreement is subject to annual appropriation as provided in the Conditional Purchase Agreement.

(e) Under existing law, the interest on the Certificates (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (e), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the County (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Certificates in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Certificates) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Certificates from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Certificates.

(f) Under existing law of the State of Maryland, the interest on the Certificates and profit realized from the sale or exchange of the Certificates is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, franchise taxes applicable to certain financial institutions, or any other taxes not levied directly on the Certificates or the interest thereon.

Other than as set forth in the preceding paragraphs (e) and (f), we express no opinion regarding the federal or state income tax consequences arising with respect to the Certificates.

It is to be understood that the rights of the owners of the Certificates and the enforceability of the Certificates may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable, Baetjer and Howard, LLP"]